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THIRD ANNUAL REPORT

OF THE

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Department of Foods and Markets

For the Year Ending December 31, 1916

TRANSMITTED TO THE LEGISLATURE FEBRUARY 28, 1917

Dep. 17
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ALBANY
J. B. LYON COMPANY, PRINTERS
1917



STATE OF NEW YORK

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IN ASSEMBLY

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THIRD ANNUAL REPORT

OF THE

New York State Department of Foods and Markets

FOR THE

YEAR ENDING DECEMBER 31, 1916

HON. THADDEUS C. SWEET, *Speaker of the Assembly, Assembly
Chamber, State Capitol, Albany, N. Y.:*

DEAR SIR.—I have the honor to transmit herewith the third annual report of the New York State Department of Foods and Markets for the year ending December 31, 1916.

Very truly yours,

JOHN J. DILLON,
Commissioner.

REPORT

To the Legislature of the State of New York:

Other means having failed, the Department of Foods and Markets was organized to help find a ready and profitable market for the products of New York State farmers. Due to the want of such a market, many of the agricultural industries of the State were on the decline and in danger of disappearing entirely. The cost of distributing such products, as could be sold at all, averaged 65 cents out of the dollar paid by the consumers of food products. The producer realized an average of less than 35 cents. Many of the finest products of the State wasted on the ground because there was no market for them that would pay the cost of distribution without regard at all to the cost of production.

Within the borders of the State, we have the greatest metropolitan food market in the world and many secondary markets of large consuming capacity, but through an organized system of distribution, products from the Pacific and Gulf States, and foreign countries are found displayed in abundance on the markets of all our cities, while the products of the State of New York are seldom displayed in our own markets and often are forced to seek an outlet in distant markets, outside of the State. Our system of distribution encourages shipment of foreign products to our markets to the exclusion of our own, and this condition is, to a large extent, promoted by discrimination in transportation facilities. A train load of perishable products from the far West travels from Niagara County to New York City in 24 hours less time than is taken by a similar shipment coming direct from Niagara County farms. It sometimes takes longer to deliver 75 barrels of apples from Dutchess County into New York City, than is required to ship a whole carload of apples from Oregon. Moreover the time for the arrival of foreign products is scheduled, and the receiver may depend upon the time of their arrival. With a receiver of New York products, the time of the arrival is always uncertain and losses to the shipper's account are frequent.

During the present season, the farmers of New York State have large quantities of hay for sale. They have been extremely anxious to find an outlet for it. They wish to empty the barns to make room for another season's crop, and they need the money that it would bring, but through a system of embargoes and permits to hay dealers, and a restriction of shipping privileges to those who have not been regular shippers in the past, the traffic is controlled and producers have been unable to move their hay to the New York market.

Investigations and legal processes having failed to correct the abuses or to change these conditions, it was proposed that the Department might carry on some practical demonstration with a view to developing a better system of distribution. The purpose of these demonstrations was not to put the State permanently in business to compete with citizens and firms in the distributing business, but to bring about reforms and economies, if possible, which the individuals, firms and corporations in the trade seemed unable to accomplish. There was, and is, a suspicion on the part of shippers that the cost of distribution is too high and that the extravagant system and unfair means have resulted in too low a price to the producers and too high a price to the consumer. It was hoped that the demonstrations might either confirm this suspicion and find a way to correct it, or at the worst, might prove that the suspicions were unfounded. The work of the Department was, therefore, intended to act as a governor to the engine of distribution in the matter of regulation and would be educational in its effects as well as in its purposes.

The proposition naturally met with opposition from many dealers in food products, who feared a disturbance in the routine of business in which they are engaged. The opposition was none the less insistent because the purposes and objects of the work were misunderstood by them and the misunderstanding and the opposition were encouraged and promoted by the trade press which found an opportunity to champion the old system through a criticism of the proposed demonstrational work. The work was also new to the people of the State. We were all blazing a new trail and we had no experience in the past to gauge it. Naturally, some errors would be made in a field of this kind, and while the errors of the Department have been few and were promptly cor-

rected, they served as a ready means, on the part of critics, to hamper and retard the work as a whole. The appropriations for the Department have also been extremely small for an undertaking of this importance, and for this reason, the work has been necessarily limited in its scope and volume.

Because of the limited experience and particularly because of its limited means, it was thought best to confine the demonstrations to such activities as would best demonstrate the purpose for which the Department was organized.

Large auction sales of apples last year constituted one of the first of the demonstrations. Up to the time of these sales, the highest price for apples ranged from 90 cents to \$2 per barrel. The sales in the auctions standardized the price of apples all over the State, and much of the Eastern territory of the country, at from \$2.75 to \$3.40 per barrel — the average was about \$3. In this, the Department simply assembled offerings of apples in catalogues, advertised them and sold them at public auction to the highest bidders. It was purely a demonstration at producing centre of public sales of assembled food products.

Eggs constitute an important factor in the food product of the State, and of the whole country. In the April season, extending from the middle of March until some time in May, eggs are produced in large quantities and the supply is greatly in excess of the current demand. Of late years, it has been the custom to put these eggs in cold storage warehouses and hold them in refrigeration to be sold during the winter months when production is short, and without the cold storage product the supply would be very much short of the demand. In the April season, these eggs are bought from the producers, generally through the middle West, at prices ranging from 15 cents a dozen up to 18 cents or 20 cents; and the custom has been to candle these eggs as they come out of storage in the winter months; and the rule has been that they are sold as strictly fresh eggs, in competition with the current production of the winter months. Last year, these eggs were placed in storage at a cost of practically 22 cents in the storage rooms. They could be sold at a good profit to the dealers at 27 cents to 28 cents wholesale, and they could have been retailed at good profit at 33 cents per dozen at the retail stores in New York. In Novem-

ber, however, the wholesale price went up to 38½ cents per dozen, and, as usual, these cold storage eggs were being sold to the consumer at a retail price ranging from 55 cents to 65 cents per dozen.

Having exhausted its efforts to force the sale of these eggs in their proper designation by marking the containers, without correcting the abuse, the Department issued the following order:

“Every person or persons, corporation or corporations, engaged in the business of jobbing, wholesaling or retailing eggs, shall, before offering or exposing for sale any eggs which have at any time been stored in a cold storage warehouse, or any other place maintained for cold storage purposes, brand, stamp or mark on the shell of each such egg, the word “cold storage” or their equivalent, in plain letters at least one-eighth inch high; provided such eggs do not already bear such brand, stamp or mark; and provided further that eggs may be sold in the original unbroken packages in which they have been received from such cold storage without being so branded, stamped or marked.”

This order was ignored by some of the large dealers and its validity contested by them in the courts. The Attorney General, however, at the request of the Department, applied for an injunction to restrain the dealers from violation of the order, and he was sustained in the courts and a permanent injunction was issued. The wholesale price of cold storage eggs forthwith dropped to 34 cents per dozen, and eggs sold all over the city retail at 37 cents to 38 cents per dozen. The consumers of cold storage eggs, therefore, knew exactly what they were buying and, as the quality was good and the price low, the consumption increased and dealers who opposed the order when issued approved of it and praised it afterward. The larger consumption of cold storage eggs, because of the reduction in price, resulted in an early consumption of storage eggs for the season, and a further advance in price toward the end of the season.

The arrangement for selling through a warehouse not entirely under the control of the Department does not, of course, offer the best provisions for demonstration purposes. In order to make this work entirely satisfactory, the Department should have a ware-

house of its own, manned entirely by its own employees, under its immediate control. We have made a request for an item of appropriation this year to cover the preliminary expenses for the operation of a State-controlled warehouse or terminal. The produce handled therein, of course, would pay the expenses of operation and rental; and money advanced by the State would be repaid into the State treasury through the operation of the sales demonstrations.

The selling of apples and other fruits at auction in the city wholesale market resulted in the demand from producers of other kinds of products in the State for a similar market for their products. These producers, however, were unorganized and were not in a position to ship goods in steady flow, nor at any time in large volume. A steady supply and a large volume are essential to the success of an auction market, and it was not thought wise to undertake the sale of small and promiscuous shipments to be sold at auction. The demand, however, for an outlet for such products was so persistent that the Department made arrangements with a large wholesale house of good standing to receive such shipments and to help conduct the sale of them. These shipments were placed under the supervision of a deputy of the Department, who is charged with the duty of supervising their arrival, of inspecting and weighing them, of helping fix the price of them and assisting in the sale of them. No attempt was made to solicit these shipments, but the produce that was offered was handled in the best possible shape with the greatest regard possible for the interest of the shipper. The aim was to do for the producers just what they would do for themselves if they were on the ground to conduct their own sales. A full record of the transaction was kept, including the condition, weight, price, and name and address of the buyer, and after deducting 5 per cent for expenses, an accurate return was made to the shipper. With a small beginning, the aggregate of these shipments during the year of 1916 was, in round numbers, one-quarter of a million of dollars. To be exact — \$233,164.46. During the two months of September and October, 1916, the shipments amounted to \$72,702.03. The growth of these shipments may be realized from the fact that in January, 1916, receipts were \$4,791.43; in January, 1917 — \$24,353.04.

Weekly quotations of these sales were published and constituted, together with the auction sales, the first exact quotations of the sales of farm produce that have ever been published in the State of New York.

One incident will illustrate the advantage to the producer in these transactions. At the time the Department was organized, it was a universal custom of commission dealers receiving apples and other products to sell them, for the most part, on the docks, and the apples were carted away by the buyers without expense to the receivers. On the returns to the producers, however, a cartage charge running from 12 cents to 25 cents per barrel was almost invariably made. This situation was understood by a large number of shippers and the charge for cartage for many years was a bone of contention between the producer and the dealer. Of course, the Department never made any such fictitious charge for cartage and gradually the dealer has been forced, by the Department's action, to forego the fictitious cartage charge, and at the present time the custom has practically disappeared entirely, thus saving the shipper, even to the regular trade, outside of the Department, the cost of this fictitious cartage charge.

Milk production is one of the greatest industries of the State. It is estimated that about forty thousand farmers of the State are engaged in this industry with close to a million cows; and that the annual product amounts to \$80,000,000 in value.

The requirements of the Board of Health of the State of New York, and some of the other states, are that milk must be produced under certain hygienic conditions and pasteurized before it is offered for sale in the City of New York and other cities. This requirement resulted in a virtual monopoly of the distribution of milk in the State of New York by a small number of large dealers, who controlled the equipment for pasteurization and the cans and other facilities for shipping it to the city. With this virtual monopoly, the big receivers have been in a position to dictate the prices paid for milk to the producer, on the one hand, and also to dictate the prices that they chose to collect from the consumers in the city. From this condition, quite naturally, the price to the producers has been kept at a low figure and many farmers, heretofore engaged in the production of milk, abandoned the enterprise

entirely. In fact, whole sections of the State, particularly in the producing zones closest to New York, went out of the business of producing milk entirely, and the dealers have been forced to go farther and farther back into the territory to find their supply of milk. The shipping zone has reached north into Canada and west into Ohio and Pennsylvania, and east into the New England States. This resulted in a constant decrease in the number of milk cows in the State of New York. During recent years, the demand of the State Board of Health for more expensive equipment of barns and more hygienic conditions in methods of production, together with the increasing cost of labor, food and other supplies, increased the cost of production to such an extent that milk producers were selling their products for considerably less than the cost of production. This fact was clearly proven by studies and investigations made by the State and Federal authorities, and by agricultural colleges and testing associations. In this situation, the producers faced a condition where they had to have a better price for their milk or face bankruptcy in their business. The only other recourse was, for such as were in a position to do so, to go out of the production of milk entirely. To continue at the price prevailing would certainly mean a shortage of production and the want of sufficient supply would, according to all precedence, result in a higher price to the consumers without being able to get enough milk to supply their needs.

To meet this situation, the producers organized themselves into a co-operative organization and requested the Department to act as its agent in the negotiation for the sale of milk to the dealers. The Department accepted this service and took up negotiations with the dealers in the hope that a satisfactory price might be arranged so that the delivery of milk might be regularly continued after the expiration of the previous contracts on September 30, 1916. The conditions at the producing end of the industry were presented to the dealers and an appeal was made for a price that would justify a continuance of the industry and the encouragement of a sufficient supply of milk for the needs of the city. The dealers, however, refused to recognize the conditions and insisted on buying milk at their own terms, as had been the custom for practically forty years.

Having placed their milk in the hands of the Department for sale, the producers refused to sell to the dealers direct, or to negotiate with them, and refused to deliver the milk after October 1. The milk was kept home and worked into butter, cheese and other products. This caused a shortage in the supply in the City of New York. The Department, however, continued to sell milk to small and independent dealers, who had some facilities for pasteurizing and handling the milk, and this resulted in bringing a considerable supply to the city regularly, and through the ingenuity and resourcefulness of the small dealers, this supply was constantly increasing and the large dealers finally concluded to pay the price demanded by the producers, and by the 14th of October, 1916, agreements had been made with all of the dealers and the regular supply of milk again began to flow to the city. It was the first time in forty years that the producers of milk in the State named the price for their own product. This price was an advance of practically one cent a quart over the price paid for the same months the year before. In round numbers, the sale was estimated at practically \$40,000,000 for six months contract. The contracts of sale provided for the appointment of a committee to determine the cost of producing milk for the months of January, February and March of the present year, and the committee was given authority to revise the contract price for these months, in accordance with its findings. The committee with the consent of the dealers increased the contract price 5 cents a hundred. This fully justified the contract price negotiated by the Department. It was an admission by the dealers that the original price was under the cost of production.

The dealers promptly advanced the price to the consumer 1 cent a quart, for milk delivered in quart bottles, and 2 cents a quart for milk delivered in pint bottles. The price of cream was increased proportionately. About February 1st the dealers again advanced the price of milk 1 cent a quart and cream and condensed milk proportionately, so that at the present time, while the dealers have paid the farmers an advance of 1 cent a quart, the consumer is paying an advance of 2 cents per quart for milk and cream over last year's prices. These prices are 11 cents per quart for "B" milk, 12 cents per quart for "A" milk and 72 cents per quart for cream.

The Department believes that this advance to the consumer is unreasonable and excessive. Under these prices it costs considerably more to distribute milk than it does to produce it, and if the price of distribution cannot be reduced to the profit of the distributor, then it would seem that the system is too extravagant and expensive, and that some more economic system of distribution should be found.

The Department believes that a system of distributing milk through the local grocery, butcher and delicatessen stores could be developed to distribute the bulk of milk to families at a very much less cost than through the present system of retail wagon deliveries by the big dealers. These local stores are already established and equipped for delivery purposes within territorial limits of their regular trade. They cover the whole city. Many of them are willing and anxious to undertake the delivery of milk if it can be delivered to them in regular supply bottles. They are willing to perform this service at a profit of one cent a quart, and it would seem, from careful calculations based on the present price for the production of milk, all necessary costs of preparation and distribution, that milk could be sold to the poor and frugal people of the city, under this system, at from 2 cents to 4 cents a quart less than the prices that now prevail. Moreover, through this system, the prices would vary to the consumer in harmony with, and in proportion to the price to the producer. In other words, when there is a large production in the country with low prices to the producer and a surplus in the city, the price of milk would be lower to the consumer and the volume of consumption increased, so that both producer and consumer would get the benefit of the larger production. This would be in contrast to the present method of the dealers to maintain a level standard of price to the consumers in the season of extreme low prices to the producers. To establish this system, it would be necessary to have a steady and regular supply of pasteurized milk for delivery in bottles daily in the city, and this service would require a State pasteurizing plant with facilities for manufacturing surplus into butter, cheese or other by-products. The Department has asked for an appropriation to establish a plant of this kind in the city of New York, in order to demonstrate and develop this system of distribution. It is proposed to develop it

on a purely business basis. It is proposed that the milk handled will pay all the expenses of operation and upkeep of the plant, that it will provide for interest on the plant, and create a sufficient amortization fund to repay the State for the investment within a fixed number of years. This being on a purely business basis will avoid any unfair competition with the dealers, and at the same time demonstrate the practicability of this method of distribution. It will be no ultimate cost to the State, and, if successful, will be of great direct benefit to the consumers of the State, and indirectly an advantage to the producers by increasing the volume of the consumption.

Another cause of friction and dissatisfaction between producers and buyers of milk grows out of the system of scoring of barns and equipment, and also of testing the milk for the percentage of butter fat which it contains. The price paid by the dealer to the producer depends on the accuracy and fairness of this system of scoring and test, both of which are now, and have been wholly in the hands of the dealer himself, except that in some cases the scoring of barns and equipment is undertaken by inspectors of the City Board of Health. The complaints and dissatisfaction, as might be expected under these conditions, are general. Farmers complain that their farms and methods are not fairly scored; and frequently complain and insist that they are not given a fair reward for excess amount of butter fat contained in their deliveries of milk. In some respects, the system of scoring is admitted by all authorities to be not only unfair, but inefficient and inconsistent. For example—the barns and methods of one producer is scored at 68 points and he receives \$2 a hundred for his milk. The barns and methods of another producer in the same neighborhood is scored at 65 points and he receives \$1.90 per hundred for his milk. It is generally conceded by competent authority that in some cases the milk under the 65 point score is really a cleaner and better product than the milk of the 68 point score. If, however, we concede that the higher score is the cleaner and better quality, we can only admit that the milk from the lower score is not as clean or as wholesome as the other. Yet, they not infrequently both go into the same can and, whether mixed or kept separate, the city consumer pays the same price for each in most cases, without dis-

crimination; and the only one benefited by the whole transaction and system is the dealer who pays 10 cents a hundred less for one than for the other. The facts in these cases are well-established. They need no further investigation and they are admitted practically by all concerned, and it is hoped that a bill for the correction of this system may be favored by the Legislature and Governor at the present session.

During the month of May, 1916, the Department conducted an investigation into the conditions prevailing in the distribution of live poultry. The conditions found to exist were deplorable and are sadly in need of correction. The New York market regularly absorbs about 115 to 120 carloads of live poultry weekly. It is received by a small number of buyers and commission dealers. Probably 75 per cent of it is brought to the city under contract by speculators. The crops of the poultry are stuffed with heavy feed containing water, sand and gravel, so that the weight of the bird is increased on an average of about three-quarters of a pound by this heavy "cropping." The poultry is largely sold on the first three or four days of the week, but no price is made until Thursday afternoon. Small jobbers take the poultry from the receivers during the early days of the week and sell it to the butchers, who, after killing, in turn sell it to the housewives. The jobbers are obliged to work entirely in the dark as to prices during the early part of the week and do not know the price that they pay for the poultry they take and distribute, until the announcement of the prices as given out by the dealers on Thursday afternoon. There is also involved heavy and unnecessary expenses for carting and rental of poultry coops, all of which add greatly to the expense of distribution. The testimony taken in the investigation has been submitted to the District Attorney of New York County and also to the Federal District Attorney of the Southern District of New York. Some indictments have been filed by the local District Attorney, but indictments and even prosecutions and convictions have apparently had little or no corrective effect in this business. It needs better control and a centralized slaughter house. It is conservatively assumed that a saving of \$7,000,000 annually could be effected in the distribution of live poultry alone in the City of New York.

At the present time, the complaint against the high cost of food is almost universal, but the causes for the high and advancing prices seem not to be well understood or considered, and until we understand the causes, we are not in a good position to apply remedies.

There are at least three general and fundamental reasons for the high cost of food, namely:

1. Cheap money.
2. Decreased supply in food products.
3. Waste.

All other products being measured by gold and its superstructure of credit, when gold and credit is scarce and dear, other products by which they are measured are plentiful and cheap. When gold and its superstructure of credit is plentiful, other products are scarce and dear. We have this condition now and it is a factor in the cost of food.

A large portion of the labor of Europe has been taken out of the productive enterprises, through the demands of war, and the afflicted countries have turned to us to supplement their own food supply. In addition to this during the last year many of our own staple crops have not been up to the average of production and the short supply and the speculative tendency that the shortage encouraged have resulted in excessive prices for these products. As a matter of fact, in this tendency of a shortage in food supply, we are beginning to feel the effects of the methods which have tended for years to discourage the production of food on the farms of the State and of the whole country. Following our Civil War the great fertile fields of the West were thrown open to cultivation, and these free lands were taken up by the enterprising and ambitious people of the East. The verdant fields produced food and products in great abundance and so cheaply as to disturb the food markets of Europe, as well as of our own country. Food was so abundant and so cheap, that no one gave much attention to the matter of its distribution and no consumer bothered himself about the hardships or privations of the men and families who produced it. The Eastern farmer suffered most of all from this condition of cheap food, because he was forced, on his worn-out land, to compete with the products of the virgin fields of the West; and besides,

he was burdened with a mortgage, debts and obligations, from which the pioneers of the West, with all their other hardships, were spared.

During all this time, the general policy of the country was to build up and encourage manufacturing and commerce, and this naturally resulted in the increase of large urban populations. Slowly, but surely, the Western farmer sapped the fertility from his virgin fields and production began to decrease, and the successful cultivation required greater care and expense of artificial fertility to produce normal crops. The greater opportunities of the city for manufacturing and transportation enterprises attracted the producers from the soil, and our census reports began to reveal the fact that as the city population rapidly increased, creating an increasing demand for food, the country population was steadily decreasing, showing a tendency to a smaller production of food. We were met by the alarming prospect of more and more people in the city to feed with less and less producers in the country to provide food for them.

An attempt was made to correct this condition through educational influences. Experiment stations, agricultural colleges, agricultural secondary schools, farm institute instruction and other means were devised for carrying instruction and education in the art of production to the farms of the country. Liberal State and Federal appropriations were made under the theory that this form of education would teach country-bred boys and girls to remain on the farms producing food. While the theory of this educational influence was to increase production, no thought was given to the economic features of the enterprise. No one stopped to inquire or to discuss the economic problem of the farm. The need was for a supply of food and if the farmer could be induced to increase or double the product of his farm, the cost to the consumer would be less and the return to the farmer was a matter of supreme indifference. His study was to produce in abundance and if the bumper crop, as it often did, sold for less in the aggregate than the small crop in years of scanty production, we glorified and congratulated the country as a whole on its abundance of food and great wealth of production, without a thought to the farmer who sold the crop for less than the cost of production.

Under these conditions the educational influence did not induce the country-bred boys and girls to remain on the farm and the country population has continued to decrease, while the city population and the demand for more food has been steadily on the increase. This condition confronts us now and the country is beginning at last to see that the economic production of food is a problem that must be met. Our food must come from the farms. With the exception of the little that comes from the sea, there is nowhere else to get it and if we hope to continue to get it in sufficient supply to meet the needs of the people, we must pay the cost of producing it. We have not done so in the past. We cannot, however, expect to get food from the farms in the future cheaper than in the past, or in the present. The men who have been producing it at this price are dissatisfied with the job. They are quitting the business for enterprises that pay them better, and if the people comprising the city population are to escape hunger, they must consider the economics of the farm and pay for intelligent and efficient cultivation of the soil. There is no other way to insure a steady and permanent supply of food.

Production has been discouraged and the cost of food increased by waste, which has resulted from a wasteful and extravagant system of distribution. The system of waste begins at the farm. Thousands of tons of the finest food in the world waste annually on the farms of the State of New York, because the man who produces it is unable to pack it, ship it, and sell it for enough to pay the transportation and selling charges, without regard to the cost of production at all. Again there is waste in transportation. Either the weather is hot or damp and the food spoils from heat and moisture, or it is cold and it is chilled or frozen. Lack of proper preparation for shipment, want of proper car facilities and transportation carelessness and delays are responsible for this waste. In the city there is waste in cartage over rough pavements, waste in handling from one dealer to another, and in the deterioration of food incident to the delays of manipulation and speculation.

Waste due to the total destruction in compliance with the law by the inspectors of the City Board of Health in condemning whole packages of food, particularly meats, fruits and vegetables, and in some cases, eggs, when only a small fraction of the article itself is damaged and the balance might well be preserved.

Another waste is in the system of credits that prevails in the produce trade. The farmer must trust the commission dealer or receiver; the commission dealer trusts the wholesaler; the wholesaler trusts the jobber; and one jobber trusts another. The last jobber trusts the retailer and in many cases the retailer trusts the consumer. The food often passes through six or seven different hands with this credit system before it finally reaches the consumer. Bankruptcy and failure in the trade are not infrequent. One week recently, three dealers failed practically without assets with aggregate liabilities of \$105,000. All of this waste, whether by loss at the farm, in transit, in the city, or through credit, must be finally made up by the consumer who buys the food. The dealer does not shoulder the losses himself, because he is in a position to shift the burden either to the producer in a lower price, or to the consumer in a higher price for his supply.

In addition to this form of waste, our whole system of distribution discourages and increases the cost of food. The first need is an abundant supply and in this the interests of the producer and consumer are identical. Between the individual producer and the individual consumer, there may be a conflict of interest; the one desiring the highest possible price and the other demanding the lowest possible price, but as classes, the consumers are first concerned in a full supply for their needs. No matter whether the farmer is paid little or much, the consumer must always pay high for a short supply. The farmer is also concerned in a large consumption because a large consumption means a ready market and it also means an encouragement to operate the farm to its full capacity with cheaper production per unit and ultimately, if distribution is free and open, a lower cost to the consumer. In our metropolitan markets, however, the consumer is unable to go to the farmer for his supplies and the farmer is unable to carry his goods to the consumer. This creates the necessity for a distributing agency, familiarly known as the middleman, and heretofore we have entrusted the distribution of food entirely to him. In our system of specializing and in the division of labor, the middleman is an economic agency so long as he performs a legitimate and a useful service. In this capacity he is quite as important and equally as well entitled to be paid for his time, enterprise

and capital as the man who produces the food ; but in our system, we have developed a practice of manipulation, speculation and control by middlemen in the distribution of food that operates to the detriment of both producer and consumer.

New York City is generally conceded to be the best market in the world, but the system of distribution there has been such that producers hesitate to send food there for sale on consignment. Their experiences have been such as to discourage shipments to that market. This has resulted in a speculative buying on the farms or at shipping stations, but the goods are usually bought for city delivery. The buyers have advance information on production and are in a better position to know present prices and to anticipate future prices than the producers, so that the producer occupied by the cares of his farm is at a disadvantage in the negotiation for the sale of his product. Short crops are often bought at 50 per cent of their real value, an instance of which we have in the present condition of the potato market. On a rising market these shipments are accepted and the dealer profits by the advancing market. If, however, for some reason the market declines, it is alleged the goods do not arrive in good condition and they are thrown back on the hands of the producer to be sold for what they bring on the declining market. Under this system, when food is scarce, speculation is encouraged and the dealers controlling the bulk of the supply are in a position to make the most of their advantage by exacting the highest price possible from the consumer. Again under our system a glutted wholesale market is of little or no advantage to the consumer. It is a general contention of the wholesale trade that market conditions must not be disturbed, and that it is useless to handle two barrels of produce if the same price can be exacted for one. Of course, in a glutted market, there is no speculation in the over-supply of a particular product. The producer has no choice, therefore, but to ship on consignment or to allow the produce to rot on the ground, and no matter how little the returns to the producer, the price to the consumer is maintained at a standard level. The produce accumulates in the market and a large part of it finally goes to the dump ; and the only returns to the producer is a bill for the freight charges.

In practically every month of the year, there is a surplus of some food product and it requires no great foresight to see that if

these surplus products were sold to the people under the law of supply and demand, the consumption of them would be promptly increased, the surplus would disappear and the farmer would be encouraged to continue to produce a regular and full supply of them instead of abandoning the whole industry in disgust as he frequently does after a disastrous experience of a large crop. Two years ago the farmer received less than 20 cents a bushel for potatoes shipped to the New York market. Last year, his cabbage rarely paid the freight charges. Onions were sold for \$1.00 to \$3.00 per cwt. Today potatoes are selling at \$3.00 to \$3.25 per bushel, cabbage at \$100 per ton and onions are worth \$14 per cwt.

Since we cannot hope to get food cheaper from the farms than in the past, nor at the present except by paying enough for present supplies to encourage operation of farms to their full capacity, and by encouraging larger production reduce the cost per unit, our only hope to reduce the cost of food to the consumer is through the saving of waste and inefficient and uneconomic system of distribution. It now costs 65 per cent of the consumer's dollar for the distribution of food. Of the dollar paid by the consumer, the farmer get 35 cents for the food delivered at the country railroad station. In this admittedly high cost of distribution lies practically our only hope in the reduction of our cost of food. It is in fact, our only hope to keep the cost of food from going higher. The situation is not, however, hopeless, because the possibilities of saving on distribution are encouraging enough to promise a material reduction in the cost of food to the city consumer.

To accomplish this saving, we must begin at the farm to save waste. The plan of the Department is to establish rooms for assembling food at the railroad station in the local producing centres throughout the State. The producers, under this system, would organize into co-operative associations under the encouragement of the State, and they would own the market or assembling rooms. The farmer would bring his product to these local packing houses, as it comes from the tree or ground, and an employe in charge of the packing house would grade and pack the produce and, if located in a village or city, would supply the local needs and ship the balance in carload lots straight to a terminal wholesale market in the city. The food would be received in this terminal market by

licensed and supervised agents of the State, who would weigh it, cause an inspection of it, make an open sale, keep an open record of the receipts of the goods, of its condition, of its weight, of its price, and of the person who bought it. The sales would be made in quantities to accommodate the retailer so that he could buy his supply direct from the agent of the producer and, of course, the housewife would be supplied daily from the retail stores. The country assembling plant would have to be large or small, cheap or expensive, to suit the needs of the neighborhood. To be complete, it would have canning facilities so that all of the tender and overripened produce of the farms could be brought to the station and preserved in standard packages and quality for future use. Surplus would be taken care of in the same way. In prosperous neighborhoods the plant should also have refrigerating facilities so that perishable produce could be precooled and properly prepared for market; and staple products such as apples, pears, eggs, dressed poultry and other products, could be stored in time of surplus for distribution in seasons of scarcity.

In the State of New York the need of terminal facilities for economic receiving and distribution of food is an acknowledged necessity. The neglect of this provision is a reproach to the city and the State. With the receipt of a billion dollars worth of food products annually, the city has no better system of delivery than the ordinary country village. As a matter of fact, the system is the same as in the smaller town and differs only in the volume of trade and the greater extravagance and waste of the New York system, because of the peculiar location of the city and the congestion of its streets. A large portion of the food for the whole city is distributed in the lower portion of Manhattan Island, where the streets are most congested and the distances of the cartage for distribution are the greatest. There are no facilities for assembling foods of a given variety, no possibility of proper inspection, or accumulated display, no open markets, except the fruit auctions, and no possibility of establishing prices through open sales on the basis of supply and demand. The ordinary small retailer is unable to buy at first hand and through the system of credits and rules of sale adopted by the trade, the retailer is unable to get his daily supply until it has passed through the hands of several people with a burden of several profits added to it.

This is not intended as an indictment of the individuals engaged in the distribution of food in the City of New York. The system has long since been indicted and convicted. The best men in the trade deplore the conditions and would gladly welcome an economic change. There are, however, selfish interests which oppose any reform that might affect them personally and the general fear of an immediate disturbance encourages and sustains the hysterical objections of the selfish interests.

The city needs large terminal markets. It probably needs three or four of them, but a beginning might well be made with one. This market should be located where full carloads of food coming to the city over any railroad could run straight into the market and discharge without the expense of extra handling or cartage. It should be provided with ample cold storage and common storage facilities, so that food could be handled economically and absolutely without waste. It should be distributed from this market to the retailer in whatever quantities that the retailer's supply required. This would eliminate all unnecessary expense of useless middlemen and speculators.

A suitable place for the location of a terminal wholesale market would be on the Manhattan side of the Hudson River. The problem of trackage and terminals is now being considered for the West side of the city. Any plan adopted should provide for a liberal section of the river front for a terminal wholesale food market, so constructed and arranged that cars from every railroad reaching the city could run carloads of food products straight into it without extra expense or loss of time. This is an imperative necessity. To neglect it now would be a misfortune to the city and little short of a crime against future generations.

The present cold storage facilities for the city are inadequate and such facilities as exist are in the control of dealers and speculators so that the producer is unable, for the most part, to find facilities for storing his surplus products, and this condition forces the goods either by consignment or purchase, into the hands of the speculator in times of surplus to be manipulated for his own profit for sale at the time of need. The demand for storage, with the increasing population and the saving of waste, is bound to increase. The present facilities are in the hands of a

combination of interests, including dealers, owners and backers, whose interest it is to keep storage facilities under the demand for them; and from their obvious personal interests, it can hardly be expected that they will keep the supply equal to the demand. They may be expected to continue to deny producers and producers' organizations the accommodations which the producing interests and the interests of the consuming public demand. Under these conditions the producer is unable to save surplus products for times of scarcity; the consumer is unable to buy them when cheap and the speculator who buys them in time of surplus is able to exact his own price in the season of greatest demand. We have examples of this today in the excessive profits demanded in such storage products as eggs, butter and cheese. We have a similar experience practically every year in varying degrees and with the present trend of production and distribution, the producer and consumer will be more and more at the mercy of the speculator in its food products. The State could well afford to undertake the establishment of these markets and cold storage houses. As a matter of fact, it is doubtful if it can afford to neglect to do so.

While the initial cost would be considerable, they could be operated with profit to the State and yet with great benefit to the producers of the country and the consumers of the city. The State is spending money liberally for other objects and much of it for purposes that make no direct return to either the people or the State itself. Yet no other purpose is of greater concern to the people than its food supply, and the economic and efficient distribution of it. This problem affects the wealthy and men of large annual income little, because the cost of food for this class is trifling in comparison with its income as a whole, but to the families of average income and to the poor and frugal people, especially, the increase in the cost of food is a serious problem. Probably one-half of the income of the average family is paid for food and any increase in this means less comforts and less necessities in other lines. To the very poor it means coarser food, cheaper food and oft-times less food.

Thirty to forty years ago the farms of the State had a large income from the production and sale of meat animals. The development of the packing industry of the West and its competitive

